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BEFORE THE ARIZONA CORPORATION COMMISSION

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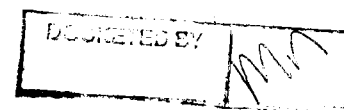
KRISTIN K. MAYES, Chairman
GARY PIERCE
SANDRA D. KENNEDY
PAUL NEWMAN
BOB STUMP

IN THE MATTER OF THE APPLICATION OF
UNS GAS, INC. FOR THE ESTABLISHMENT
OF JUST AND REASONABLE RATES AND
CHARGES DESIGNED TO REALIZE A
REASONABLE RATE OF RETURN ON THE
FAIR VALUE OF THE PROPERTIES OF
UNS GAS, INC. DEVOTED TO ITS
OPERATIONS THROUGHOUT THE STATE
OF ARIZONA

DOCKET NO. G-04204A-08-0571

Arizona Corporation Commission
DOCKETED

SEP 18 2009



INITIAL BRIEF

FILED BY CYNTHIA ZWICK
September 18, 2009

On June 3, 2009, I filed direct testimony in this case in order to request, on behalf of current and future low-income customers, that Unisource Gas, Inc. (the Company), take steps to ensure their low-income customers are financially able to maintain service and affordable rates.

In my direct testimony I request the Commission consider a number of items. They are:

- 1) that low-income customers be held harmless in this case, both in the CARES program and within the purchased gas adjustor mechanism; 2) that the CARES, Warm Spirits and weatherization program language track the federal LIHEAP and weatherization eligibility language, which would increase eligibility for these programs from 150% of the federal poverty level, to 200% of the federal poverty level; 3) that the Company be required to increase its outreach and enrollment efforts in the low-income discount programs, which would include the automatic enrollment of customers receiving LIHEAP assistance and weatherization services in the CARES discount program; 4) that the CARES customer be exempt from Rule/Regulation, Section No.3, Establishment of Service, B. Deposits, 5; 5) that the Company increase its support of the Warm Spirits and Low-Income Weatherization programs; and 6) that the Company cease the referral of customers to payday lending institutions in order to pay their Unisource Gas bill.

Since I have filed my testimony and participated in the Hearing for this matter, a number of events have transpired.

First, the Company has informed all parties during the hearing that they are now automatically enrolling customers who receive LIHEAP benefits in the CARES program.

Second, the Company informed all parties that it had stopped referring customers to payday lenders for bill payment the morning the Hearing began.

Third, the United States Census Bureau released data indicating that on a national level, the official poverty rate in 2008 was 13.2 percent, up from 12.5 percent in 2007, a number that is considered statistically significant.¹ While individual state data is not yet available, it is anticipated that when this data is released, a similar trend will be seen in Arizona. Additionally, while this is the most recent data, it will not fully capture the state of affairs, as it is already a year old, and other economic indicators in Arizona continue to reflect a 9.2% unemployment rate in July, compared with 8.7% in June and 7% in January.²

I renew my request of the Commission to hold the CARES customers harmless in this case, both within the CARES rate and from any increase in the purchased gas adjustor. My reasons remain the same – more middle and low-income families are either unable to pay their bills or they are having difficulty doing so, and any increase at this time will simply mean more disconnections, and more families' welfare being threatened. As provided during my testimony at the hearing, and presented in Exhibit Z-3, of families who are unable to pay their bills, 93% had at least one vulnerable household member, 29% were unemployed at some point during the year, 70% had a serious medical condition, 28% kept their home at a temperature that was unsafe or unhealthy, 33% used their kitchen stove or oven to provide heat, 47% skipped paying or paid less than their entire home energy bill, 32% went without food for at least one day, 42% went without medical or dental care, 24% had someone in the home become sick because the home was too cold.

¹ www.census.gov/Press-Release/www/releases/archives/income_wealth/014227.html -- attached.

² U.S. Bureau of Labor Statistics, www.bls.gov.

Exhibit Z-3 indicates on page 3 that “studies have demonstrated a strong connection between a family’s inability to pay its home energy bills and some obvious- and not so obvious consequences, such as homelessness, malnutrition, heart disease, heat stroke and the disintegration of families.” These costs may be avoided or minimized if the CARES discount rate is not increased and the purchased gas adjustor is not increased for this rate class.

I also renew my request that eligibility for the federal LIHEAP and weatherization programs be used as eligibility for the CARES and weatherization programs, at this time 200% of the federal poverty level, so that more families falling into poverty during this serious recession, many formerly members of the middle class, may take advantage of these programs during this time of need.

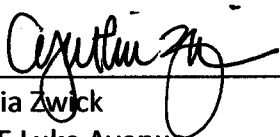
The Company’s outreach efforts need to be increased, especially during this time of increased need. As Miquelle Scheier indicated in her letter, the need has grown significantly in Coconino County, as have the number served. However, there are many more families eligible for these discounts who for whatever reason simply don’t know about them. The Company needs to do regular advertising, both in local community newspapers and on the radio throughout the cold months in order to notify customers in need, for whom this discount rate was created, that it is available for them.

Continuing to partner with community organizations, such as the Community Action Agencies in the service territory is another way to reach customers, however many more customers are being turned away than served at this time, due to diminishing resources. A quarterly mention in a bill stuffer is insufficient outreach.

I am also renewing my request that low-income customers be exempted from Rule/Regulation, Section No. 3, Establishment of Service, B. Deposits, 5. When a customer is already unable to pay their gas bill, and they have become delinquent for one, two or three months, the amount of their bill is significant. If they have been disconnected, these costs, in addition to any reconnection fees or late fees are also high. Assessing an additional penalty, or deposit requirement on someone already behind and unable to pay their bills is not only counterintuitive, but illogical as the funds are simply not available to become current, particularly in this stressed environment, and they are much more likely to be unable to become current on their account as the charges are simply too high. The alternatives include losing a customer which is not beneficial to the Company, or jeopardizing the health of the family, also not beneficial to the Company or the members of the family.

Finally, I ask that the Company's contribution to the Warm Spirits program be increased to \$50,000, an increase of \$25,000 from the current and historical contribution, to keep pace with customer giving. The weatherization program funding should be increased to \$200,000. The weatherization program is an energy efficiency program, which not only makes the individual residence more efficient, it reduces utility bills, conserves energy use, and improves the community through improved housing stock. Because of the poor housing stock, many families are unable to voluntarily conserve energy when prices rise. The Company's weatherization funds may be leveraged with other weatherization funding available in the service territory so that more homes may conserve rather than waste energy.

RESPECTFULLY SUMMITTED this 18th day of September, 2009

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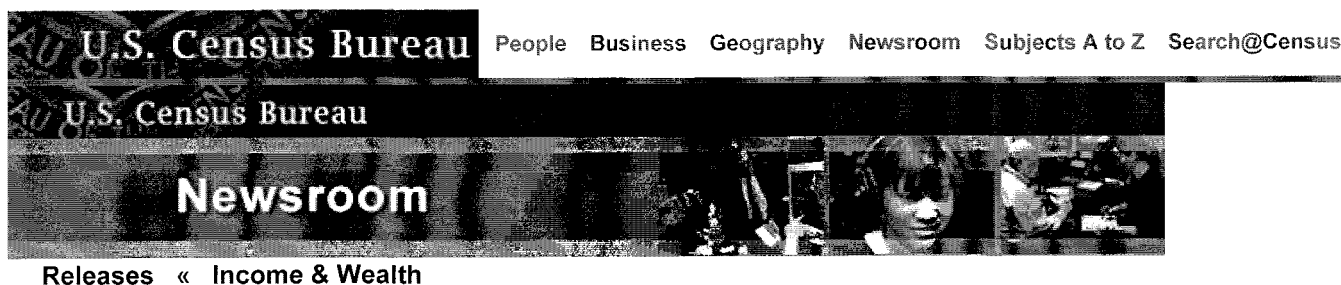
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**U.S. Census Bureau News**

U.S. Department of Commerce • Washington, D.C. 20233

**FOR IMMEDIATE RELEASE
THURSDAY, SEPT. 10, 2009**

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CB09-141 ***REVISED***
Media kit / Report [PDF]
Income data
Poverty data
Health insurance coverage data

**INCOME, POVERTY AND HEALTH INSURANCE
COVERAGE IN THE UNITED STATES: 2008**

The U.S. Census Bureau announced today that real median household income in the United States fell 3.6 percent between 2007 and 2008, from \$52,163 to \$50,303. This breaks a string of three years of annual income increases and coincides with the recession that started in December 2007.

The nation's official poverty rate in 2008 was 13.2 percent, up from 12.5 percent in 2007. There were 39.8 million people in poverty in 2008, up from 37.3 million in 2007.

Meanwhile, the number of people without health insurance coverage rose from 45.7 million in 2007 to 46.3 million in 2008, while the percentage remained unchanged at 15.4 percent.

These findings are contained in the report *Income, Poverty, and Health Insurance Coverage in the United States: 2008*. The following results for the nation were compiled from information collected in the 2009 Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC):

Income

Race and Hispanic Origin (Race data refer to people reporting a single race only. Hispanics can be of any race.)

- Between 2007 and 2008, the real median income of non-Hispanic white households declined 2.6 percent (to \$55,530); for blacks, it declined 2.8 percent (to \$34,218); for Asians, it declined 4.4 percent (to \$65,637); and for Hispanics, it declined 5.6 percent (to \$37,913). Except for the difference between the declines for non-Hispanic white and Hispanic households, all other differences between the declines were not statistically significant.

Regions

- Between 2007 and 2008, real median household income declined in the South by 4.9 percent (to \$45,590), declined in the Midwest by 4.0 percent (to \$50,112) and declined in the West by 2.0 percent (to \$55,085). Income in the Northeast was statistically unchanged (\$54,346). The apparent differences in the declines in median household income between the South and Midwest, and the Midwest and West were not statistically significant. The apparent difference between the median household incomes for the West and Northeast was not statistically significant.

Nativity

- Native- and foreign-born households, including those maintained by a naturalized citizen, had declines in real median income between 2007 and 2008. Income was statistically unchanged for households maintained by a noncitizen. The decline for native-born households was 3.5 percent; the decline for foreign-born households was 5.3 percent; and the decline for those maintained by a naturalized citizen was 4.8 percent. The apparent differences among the declines in median income for native-born, foreign-born and naturalized citizen households were not statistically significant.

Earnings

- **In 2008, the earnings of women who worked full time, year-round was 77 percent of that for corresponding men, down from 78 percent in 2007.**
- The real median earnings of men who worked full time, year-round declined by 1.0 percent between 2007 and 2008, from \$46,846 to \$46,367. For women, the corresponding drop was 1.9 percent, from \$36,451 to \$35,745.

Income Inequality

- Income inequality was statistically unchanged between 2007 and 2008, as measured by shares of aggregate household income by quintiles and the Gini index. The Gini index was 0.466 in 2008. (The Gini index is a measure of household income inequality; 0 represents perfect income equality and 1 perfect inequality.)

Poverty

Overview

- The increase in the poverty rate between 2007 and 2008 was the first statistically significant annual increase since 2004. The 2008 poverty rate (13.2 percent) was the highest since 1997.
- In 2008, the family poverty rate and the number of families in poverty were 10.3 percent and 8.1 million, respectively, up from 9.8 percent and 7.6 million in 2007.
- For married-couple families, both the poverty rate and the number in poverty increased — 5.5 percent (3.3 million) in 2008, up from 4.9 percent (2.8 million) in 2007. Both measures, however, showed no statistical change in 2008 for female-householder-with-no-husband-present families (28.7 percent and 4.2 million) and for male-householder-no wife-present families (13.8 percent and 723,000).

Thresholds

- As defined by the Office of Management and Budget and updated for inflation using the Consumer Price Index, the weighted average poverty threshold for a family of four in 2008 was \$22,025; for a family of three, \$17,163; for a family of two, \$14,051; and for unrelated individuals, \$10,991.

Race and Hispanic Origin (Race data refer to people reporting a single race only. Hispanics can be of any race.)

- In 2008, the poverty rate increased for non-Hispanic whites (8.6 percent in 2008, up from 8.2 percent in 2007), Asians (11.8 percent in 2008, up from 10.2 percent in 2007)

and Hispanics (23.2 percent in 2008, up from 21.5 percent in 2007). The poverty rate in 2008 was statistically unchanged for blacks (24.7 percent).

Age

- The poverty rate increased for children younger than 18 (19.0 percent in 2008, up from 18.0 percent in 2007) and people 18 to 64 (11.7 percent in 2008, up from 10.9 percent in 2007), while it remained statistically unchanged for people 65 and older (9.7 percent).
- Similar to the patterns observed for the poverty rate in 2008, the number of people in poverty increased for children younger than 18 (14.1 million in 2008, up from 13.3 million in 2007) and people 18 to 64 (22.1 million in 2008, up from 20.4 million in 2007) but remained statistically unchanged for seniors 65 and older (3.7 million).

Nativity

- Among the native-born population, 12.6 percent (33.3 million) were in poverty in 2008, up from 11.9 percent (31.1 million) in 2007.
- Among the foreign-born population, the poverty rate and the number in poverty increased to 17.8 percent and 6.5 million in 2008, up from 16.5 percent and 6.2 million, respectively, in 2007. The poverty rate in 2008 for naturalized citizens, 10.2 percent, was statistically unchanged from 2007, while the poverty rate for those who were not U.S. citizens rose to 23.3 percent in 2008, up from 21.3 percent in 2007.

Regions

- The Midwest and West experienced increases in both their poverty rate and the number in poverty. The Midwest poverty rate increased to 12.4 percent (8.1 million) in 2008, up from 11.1 percent (7.2 million) in 2007, and the West poverty rate increased to 13.5 percent (9.6 million) in 2008, up from 12.0 percent (8.4 million) in 2007. The poverty rates for the Northeast (11.6 percent) and the South (14.3 percent) were both statistically unchanged.

Health Insurance Coverage

Overview

- The number of people with health insurance increased from 253.4 million in 2007 to 255.1 million in 2008.
- The number of people without health insurance coverage rose from 45.7 million in 2007 to 46.3 million in 2008.
- Between 2007 and 2008, the number of people covered by private health insurance decreased from 202.0 million to 201.0 million, while the number covered by government health insurance climbed from 83.0 million to 87.4 million. The number covered by employment-based health insurance declined from 177.4 million to 176.3 million.
- The number of uninsured children declined from 8.1 million (11.0 percent) in 2007 to 7.3 million (9.9 percent) in 2008. Both the uninsured rate and number of uninsured children are the lowest since 1987, the first year that comparable health insurance data were collected.
- Although the uninsured rate for children in poverty declined from 17.6 percent in 2007 to 15.7 percent in 2008, children in poverty were more likely to be uninsured than all children.

Race and Hispanic Origin (Race data refer to those reporting a single race only. Hispanics can be of any race.)

- The uninsured rate and number of uninsured for non-Hispanic whites increased in 2008 to 10.8 percent and 21.3 million, from 10.4 percent and 20.5 million in 2007. The uninsured rate and number of uninsured for blacks in 2008, meanwhile, were not

statistically different from 2007, at 19.1 percent and 7.3 million. **The uninsured rate for Asians in 2008, 17.6 percent, was not statistically different from 2007.**

- The percentage of uninsured Hispanics decreased to 30.7 percent in 2008, from 32.1 percent in 2007. The number of uninsured Hispanics was not statistically different in 2008, at 14.6 million.
- Based on a three-year average (2006-2008), 31.7 percent of people who reported American Indian and Alaska Native as their race were without coverage. The three-year average uninsured rate for Native Hawaiians and Other Pacific Islanders was 18.5 percent.

Nativity

- The uninsured rates for the native-born and foreign-born populations were statistically unchanged at 12.9 percent and 33.5 percent, respectively, in 2008. Among the foreign-born population, the uninsured rates for both naturalized citizens (18.0 percent) and noncitizens (44.7 percent) were statistically unchanged.

Regions

- At 11.6 percent, the Northeast and the Midwest had lower uninsured rates in 2008 than the West (17.4 percent) and the South (18.2 percent). The 2008 rates for the Northeast, Midwest and South were not statistically different from their respective 2007 rates. The uninsured rate for the West increased to 17.4 percent in 2008, up from 16.9 percent in 2007.

The CPS ASEC is subject to sampling and nonsampling errors. All comparisons made in the report have been tested and found to be statistically significant at the 90 percent confidence level, unless otherwise noted.

For additional information on the source of the data and accuracy of the estimates for the CPS, visit <http://www.census.gov/hhes/www/p60_236sa.pdf>

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